

Members

Sen. Brandt Hershman, Chairperson
Sen. Greg Walker
Sen. Timothy Skinner
Rep. Peggy Welch
Rep. Eric Turner



COMMISSION ON STATE TAX AND FINANCING POLICY

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MEETING MINUTES¹

Meeting Date: September 21, 2009
Meeting Time: 10:00 A.M.
Meeting Place: State House, 200 W. Washington St., 431
Meeting City: Indianapolis, Indiana
Meeting Number: 1

Members Present: Sen. Brandt Hershman, Chairperson; Sen. Greg Walker; Rep. Peggy Welch; Rep. Eric Turner.

Members Absent: Sen. Timothy Skinner.

1. Call to Order and Introduction of Members

Sen. Hershman called the meeting to order shortly after 10:00 a.m. He introduced the committee members and outlined the agenda for the day. Sen. Hershman also acknowledged the presence of Rep. Milo Smith.

2. DLGF Program Evaluation Report

Karen Firestone, senior fiscal analyst for the Legislative Services Agency, presented an overview of the Department of Local Government Finance (DLGF) program evaluation report (Exhibit A). She explained that the Legislative Evaluation Oversight Policy Subcommittee chose to evaluate the DLGF. The evaluation covered implementation of areas of responsibility, staffing structure, and expertise and communications channels with local officials and other state agencies. Ms. Firestone explained the methodology used in preparing the evaluation report. Ms. Firestone testified that in terms of administrative costs, the DLGF is close to the sample median as compared to other states. In response to a question from Rep. Turner, Ms. Firestone pointed out that having the DLGF as a stand-alone agency does not increase administrative costs and that the cost is in line with other states. Ms. Firestone also pointed out that in terms of staffing

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expertise, DLGF employees had a significant amount of work experience or education or some combination of both. In terms of communication channels with the DLGF, local officials use most of the channels available to them and rated the channels useful. Ms. Firestone pointed out that the least useful of communication channels was conference calls because of the limited number of ports available. In response to a question from Rep. Welch, Ms. Firestone acknowledged that the number of ports was limited because of an expense issue.

Sen. Hershman called on DLGF Commissioner Tim Rushenberg to respond to the results of the evaluation. The Commissioner acknowledged that overall the report was fair. He explained that the channels of communication have improved significantly. Sen. Hershman asked about the consistency of answers received in response to questions from local officials. Commissioner Rushenberg explained that there is a mechanism in place for providing consistent answers, through daily meetings with the executive staff to discuss issues as they come up.

3. Timeliness of Local Budgeting and Property Tax Billing

Sen. Hershman called on Commissioner Rushenberg to report on the status of local budgeting and property tax billing (Exhibit B). Commissioner Rushenberg stated that currently 66 of 70 ratio studies submitted to the DLGF have been approved. Sen. Hershman asked if there were any commonalities between the 22 counties that were late. The Commissioner explained that some were due to software issues and hold up from township assessors. Rep. Turner asked how the 22 counties that were late compared in terms of parcels, assessed value, and population. The Commissioner explained that the DLGF had not conducted such an analysis. He pointed out that Allen County, which is a large county, had their ratio study approved. The Commissioner explained that it currently takes about 17 days for a ratio study to be approved, down from 60 days last year. The Commissioner stated that the goal is to have a 14-day turnaround. Rep. Welch asked how this improvement can be sustained. The Commissioner pointed out that the DLGF brought in additional statisticians and purchased statistics software. Sen. Hershman asked if in the debate over tax caps there is any evidence in the ratio studies that the assessed value will increase. The Commissioner said that he had not seen any such evidence. Commissioner Rushenberg then explained charts showing the current status of counties in the assessment and property tax billing cycle. The Commissioner also summarized the success in making pay-2010 progress based on three core values: taxpayer first, respect for local control, and excellence.

Kim Diller, Controller of the City of Lawrence, testified on behalf of the Indiana Association of Cities and Towns (IACT). She explained that cities and towns depend on counties to receive operating revenue. She applauded the DLGF on moving the state back towards the statutory schedule. She stated that delayed distribution of property taxes is a problem since cities and towns have to borrow through tax anticipation warrants because of cash flow issues. She also pointed out that the city of Lawrence spends about \$100,000 per year on interest and fees. She suggested that provisional billing is a better way to get revenue than borrowing. Sen. Hershman asked if she would suggest a mandate of provisional billing. Ms. Diller stated that a mandate was necessary because it costs taxpayers more to borrow. Rep. Turner asked if IACT tracks borrowing and interest costs. Ms. Diller stated that this information is easily obtainable from city controllers. Rep. Welch asked if there had been any income reduction as a result of the tax caps. Ms. Diller stated a loss of approximately \$350,000 per year for the city of Lawrence.

4. Rolling Reassessment

George Angelone, Legislative Services Agency, presented a memo (Exhibit C) describing the use by other midwestern states of a rolling assessment practice. Sen. Hershman inquired as to whether there was any data on staffing levels required to do a rolling assessment to which Mr.

Angeleone answered that he had not researched that issue. Sen. Hershman stated that reassessment is necessary to validate the accuracy of the trend, and Mr. Angelone confirmed that there is such evidence in the literature.

Commissioner Rushenberg stated that the DLGF still supports a rolling assessment. Rep. Welch wanted to know what the arguments were against rolling assessment. Commissioner Rushenberg explained that some argued that there are inequities caused by varied inspection dates, but he did not agree with this because of annual updates. In answer to Sen. Hershman's question of whether there were any staff benefits to the DLGF, Commissioner Rushenberg stated that they must update the cost tables annually but he did not foresee it being an issue.

Jamie Shepherd, Howard County Assessor, stated that Howard County currently uses a rolling assessment and reviews about a quarter of all property every year, taking into consideration geographic area and property type. She stated that reviewing annually gives accurate trending values and easy budgeting for the county. She stated that a savings of \$250,000 every five years is realized due to a rolling assessment.

Judy Sharp, Monroe County Assessor, stated that the assessors conducted a survey this summer about rolling assessment with 87 counties responding. All but one county wanted to go to a rolling reassessment. The one county would go along with the rest of the counties. She explained that Monroe County started rolling assessments in 2003, and in each year the data gets better.

Stacy O'Day, Allen County Assessor, stated that delayed billing and other problems are tied to reassessments. She suggested such delays and issues can be solved with a rolling assessment. She also pointed out that this will be helpful when new assessors take over.

Tom Owen, Bartholomew County Assessor, testified briefly concerning rolling reassessments and distributed to the Commission members a copy of the International Association of Assessing Officers (IAAO) "Standard on Mass Appraisal of Real Property" (Exhibit D).

5. Taxpayer Participation in Budgeting Process

Mr. Angelone presented a memo (Exhibit E) describing the procedures in statute that govern taxpayer participation in the local government budget process.

Commissioner Rushenberg stated that it makes sense to allow the public to participate at the local level. He also stated that he would like to see many of the issues that come to the DLGF handled at the local level.

Deborah Adams, Rush County Auditor, testified that she believes the TAB chart served no real purpose and that it creates unnecessary anxiety among taxpayers. She also stated that public participation is encouraged from the beginning of the process, and the public can also attend public hearings

Katrina Hall, Indiana Farm Bureau, stated that there is concern about the information available to the public regarding establishing new levies. She suggested that there should be more clarity on who may raise objections to various issues.

Andrew Berger, Indiana Association of Counties, testified that there are several categories of taxpayers in terms of using information available. He noted that budget laws require advertisement of highest possible tax rates.

6. Definition of Homestead

Mr. Angelone presented a memo (Exhibit F) about homesteads. He explained that the General Assembly cleaned up the statute to make it easier for defining a homestead.

In response to a question from Sen. Hershman regarding homestead eligibility for gazebos and swimming pools, Bob Sigalow, senior fiscal analyst for the Legislative Services Agency, stated that the tax shift from the homesteads would be \$14 M and the tax loss from the tax cap would be \$10 M annually.

Sally Johnson, Indiana Association of Realtors, stated that the public's understanding was that the tax cap would apply to the whole property.

7. OMB and DLGF Report on the Elimination of Township Assessors

Barry Wood, DLGF, presented a report on the elimination of township assessors (Exhibit G). Mr. Wood stated that 995 out of 1008 township assessors were eliminated as a result of HEA 1001-2008. In response to a question by Rep. Smith, Mr. Wood stated that there are no pending lawsuits by any of the township assessors whose jobs were eliminated.

Sen. Hershman adjourned the meeting at approximately 4:15 p.m.